

How to Handle Embezzlement

A checklist with some general advice and options



Evangelical Lutheran Church in America
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Victim of embezzlement? Do you know how to proceed?

Anyone who is a victim of embezzlement experiences devastation on many levels. Trust has been broken and relationships are, no doubt, badly damaged. Steps must be taken to not only deal with the monetary loss, but also the emotional and psychological impacts felt.

The checklist below offers some general advice; it is important to consider all your options and get proper legal and accounting advice throughout the process. Use this checklist as a beginning point, but consult with your leadership and key people in your organization (attorney, accountant, police, insurance broker/carrier) as each situation will call for different steps.

- Investigate, investigate, investigate
- Call your attorney, accountant or CPA for advice
- Congregations should call your synod for advice; if the matter involves a rostered leader, report to the synod bishop
- Decide who in leadership should be told of embezzlement concerns
- Get the facts, get all the bank account and financial records; decide how far back it is wise to conduct an audit
- In a confidential manner, discuss concerns with the police
- In a confidential manner, discuss concerns with your insurance company
- In a confidential manner, discuss with your congregation or synod audit committee
- Armed with the facts and records, confront the person. Consider having your attorney and accountant with you when you confront the person. If possible, ask that the person cooperate fully to reveal dates and detailed explanation of all wrongful conduct.
- With advice of legal counsel, the person may be put on administrative leave during the investigation, allowed to resign, or be terminated
- Retrieve all items such as financial records kept at home, keys, credit cards and security passcards from the employee or volunteer involved
- Make sure that the person who has been accused (and their family) is provided with spiritual support — this typically should come from someone other than the congregation's pastor
- Change computer passwords, take the suspected person off bank accounts or other financial accounts — consider changing locks
- Discuss how to proceed with criminal charges; consult your attorney, leadership, police and insurance company (often insurance recovery is contingent on a criminal complaint)

- Discuss how to relay the circumstances to council members, employees, membership, and possibly the media
- Work with your accountant or CPA to thoroughly audit the congregation or synod books to fully understand the extent of the embezzlement
- In many cases you should hire a specialized forensic auditor; sometimes your insurance will pay for audits. This may be the only way that the congregation or synod will know the full extent of loss and allow the congregation or synod to get a full and complete recovery from the insurance company.
- Work with your accountant or CPA, audit committee and leadership to evaluate the system of internal controls and correct all deficiencies immediately. Congregations should also consult the "Congregational Audit Guide" on the ELCA website
- Remember, the burden of proving a loss to the insurance company is squarely on the insured, i.e., the congregation or synod. Full cooperation with the insurer is required. Therefore, file a written, timely notice of claim — contact your insurance company and then expect to provide the completed insurer's proof of loss form and the following additional information:
 - Description of the item of loss (how much was the loss) including the date of loss and the amount claimed NOTE: if the amount of loss has yet to be determined or finalized, please so state.
 - How and when loss was discovered
 - Name and personal information of the person suspected of the loss
 - Documentation from suspected person's personnel records
 - Copy of the police report and related documents
 - o Current year bank statements, monthly financial reports and a copy of the synod's bank paperwork
 - o Any pertinent credit card statements detailing suspicious transactions
 - o Any action regarding restitution? Amount repaid? When?
 - Full contact information for congregation or synod's independent auditor
 - Please note that the insurer will very likely appoint a forensic auditor. The insurer who has paid a claim has the right of subrogation against any return of funds by the perpetrator up to the amount of the payment.
- Consult former Bishop Wohlrabe's insightful commentary titled: "Eleven Things That I Have Learned From Dealing With Embezzlement"
- Embezzlement, theft and fraud all take a toll on the congregation and synod employees, leadership and members. Make sure that you are providing care and pastoral support during these trying times to all, including the pastor(s) and rostered leader(s).

Each situation is different and, as such, no checklist or suggested protocol fits all circumstances. It may be quite different when handling a suspected embezzlement by an employee as opposed to a congregation or synod volunteer. It is quite different handling a current ongoing embezzlement in comparison to one that is discovered involving a person no longer working on congregation or synod financial matters.

If you have any questions, you may also contact Rob Thoma (rob.thoma@elca.org), director for Risk Management in the ELCA Office of the Secretary or Alma Jarrin (alma.jarrin@elca.org) in the Office of the Treasurer.